

Chair Steve Ostler
Vice Chair Dave Ure
Director Kevin Carter

**Board of Trustees Policy Discussion Retreat
School & Institutional Trust Lands Administration
Daniel Summit Lodge, Utah
April 16-17, 2014**

Minutes

Attending:

Board

Steve Ostler (16th Only)
David Ure
Louie Cononelos
Jim Lekas
Tom Bachtell
Scott Ruppe

Staff

Kevin Carter
John Andrews
Tom Faddies
Lisa Schneider
LaVonne Garrison
Kim Christy
Rodger Mitchell
Ron Carlson
Deena Loyola
Nannette Johnson

Others in Attendance:

Brian Tarbet, Attorney Generals' Office (16th Only)
Mark Burns, Attorney Generals' Office (16th Only)
Tim Donaldson, Utah State Office of Education
Paula Plant, Utah State Office of Education
Aaron Garrett, Utah State Office of Education
Margaret Bird, Universities
Tracy Miller, PTA President (16th Only)

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I. Welcome and Discussion of Scope

Chairman Ostler welcomed attendees on April 16 and expressed appreciation for the effort by everyone to prepare for the meetings. He also excused Mike Mower who was unable to attend.

II. Statutory Role of the Board

Representatives from the Attorney Generals' Office provided information and facilitation for a discussion on the Board's Role for the adjudicative process. Director Carter introduced Brian Tarbet and Mark Burns.

Brian Tarbet addressed the wide spectrum of responsibility indicating that in the adjudicative role the rules change for the Board. The Board has to be very aware of any ex parte communications and confine deliberations to evidence provided in the presence of all parties in the dispute.

Tom Bachtell asked how to seek more information to understand the dispute without violating the adjudicative role. Brian Tarbet indicated the Board could seek information from either party if it is obtained in the presence of all parties.

Dave Ure asked for clarification of the difference between more information and discovery. Brian Tarbet pointed out that discovery is a formal legal process while a request for a copy of an appraisal or a letter that is not in the file qualifies as information to be requested in the presence of all parties.

Louie Cononelos asked how frequently the Board is involved in adjudication. Director Carter and John Andrews estimated an average of one per year. Of those, most have been quickly resolved. There have probably been half a dozen formal adjudications in twenty years.

Director Carter outlined the reason for adjudicative hearings. There was a conscious decision to define the Board as an adjudicative body. Not all Boards have that role. He also explained the Board does not have to provide adjudication in every case. The appeal could instead, go directly to the courts.

Brian Tarbet suggested that the Board rely on the Office of the Attorney General for direction as needed in determining how to proceed immediately following receipt of a petition.

Director Carter expressed the value of the Board acting in the adjudicative role based on the understanding of the issues. He pointed out the Board has not always ruled in favor of the agency and if the fairness of the Board is not recognized, the process fails. The beauty of the Board serving in an adjudicative role is the option to conduct formal or informal proceedings. When the process is conducted informally, the process can be retried in district court if the parties do not like the ruling. When the process is conducted formally, the appeal process is with the Supreme Court; which is a much better position for the agency. The adjudicative role of the Board has been beneficial and it is important to protect the credibility of the process.

Mark Burns described fulfilling the fiduciary role to include being a good judge. By being impartial and fair in receiving information, the Board members are fulfilling their fiduciary responsibility. Therefore, the roles are not necessarily conflicting.

Tim Donaldson pointed out that he appreciated the procedural cleanliness. However, if the adjudicative process goes on for years, the entire Board is forcibly recused from administrative issues. Brian Tarbet pointed out the Board is not recused from agency functions, just the issue of the adjudication.

Tom Bachtell asked for a policy to define how Board members should conduct themselves when receiving a petition. Brian Tarbet directed Board members to the adjudicative section of the handbook for Utah Boards and Commissions. The handbook includes a section defining conduct by Board members in adjudication.

II. Statutory Role of the Board (Cont'd)

Director Carter suggested if the Board wants to have a management-related role with administration during an adjudicative appeal, then maybe one Board member should be recused from the adjudicative role. The recused Board member would not be able to interact with the other Board members in the adjudicative case. Tom Bachtell recommended a policy to understand the recused role of a Board member.

John Andrews mentioned that at the first Board meeting following the filing of a petition, the Board could decide whether to hear the appeal. If not, the petitioner may file a case in District court. Once that decision is made, the Board role as the adjudicative judge is finished and the Board can interact with the agency in the case before the courts. He also pointed out the Board can also conduct an informal hearing to decide whether to hear the case or refer it to the courts.

Tom Bachtell speculated the beneficiaries might feel the Board is violating their duty if they do not hear the petition. Director Carter stated the Board would weigh the facts and make a decision for jurisdiction. John Andrews indicated if the beneficiaries object to the Board deciding not to hear the case, it would need to be presented in a formal filing rather than simply making a phone call to state the preference.

Scott Ruppe asked if, rather than a policy, the Board could receive their options for action along with the distribution of the initial petition. Director Carter indicated that as long as no recommendation is made, the options for action could be provided in a cover memo.

Mark Burns described the Board as a policy Board, not an advisory Board, with responsibility to assure due process and sound management.

Tom Bachtell asked if the Board could ask for independent legal advice through the Office of the Attorney General. Brian Tarbet indicated that if a separate attorney is needed, the Attorney General's Office could create a "wall" and provide a second attorney, as needed.

Brian Tarbet and Mark Burns concluded their presentation.

Tom Bachtell introduced a discussion for the role of the Board with the agency. He stressed a desire to see a proactive attitude among staff. Tom Bachtell also stressed an interest in seeing more support in the oil, gas, and mining areas of the agency based on the projection for a higher earning potential in the coming years. Jim Lekas added that he felt if SITLA took a stand to say the agency supports drilling of a well or another form of development, that stand would go a long way in gaining support in the community.

Louis Cononelos discussed the value of subcommittees including work groups and Board members. He suggested the subcommittee meetings be scheduled in conjunction with Board meetings.

Tom Bachtell suggested SITLA become involved in county land planning. Director Carter provided information on how the agency is not only involved with counties, but also working on agency plans to coincide with county plans. Tom Bachtell would like to see potential customer interest included with county and agency plans.

Director Carter asked if the Board would like to add additional interest groups to the subcommittees. Louie Cononelos suggested combining Surface and Water. The recommendation to discontinue the subcommittee for Finance, Technology, and Audit, at this time, was accepted.

Scott Ruppe suggested the agency become advocates in other projects that may have a positive outcome for the agency as well as for the project supported by the agency.

II. Statutory Role of the Board (Cont'd)

Dave Ure pointed out that the government affairs subcommittee focuses on political issues. He stressed the need for committees to meet regularly as well as when issues arise.

Director Carter concluded the discussion by saying subcommittees would engage with Board members in quarterly meetings or more often as needed.

Director Carter reviewed statutory rules related to the role of the Board. He also introduced a discussion on the value of agency archaeologists, who are now recognized by the BLM as providing assessment equal to the federal archaeologists.

Louie Cononelos spoke from personal experience to recommend caution with terminology. He noted that a simple wording change from a cultural to a spiritual resource could alter the dynamics of an issue. Director Carter indicated the agency has broader discretion with cultural resources and native remains by statute.

Margaret Bird brought up self-funded archaeologists. Director Carter pointed out that the project may be generated by SITLA and there is no one to charge. Lisa Schneider outlined the fee process to cover costs such as archaeological cultural surveys whenever possible.

Director Carter continued with the role of the Board in generating discussions for managing lands that are not owned by the Trust. He discussed Board access to the staff by quoting from the statute, "Board members shall be given access to all administrative records and personnel consistent with law."

Director Carter discussed the role of the Board in planning blocks of land. He indicated his experience has been for the agency to respond to requests rather than seek opportunities related to the large blocks of land. The work groups are assign to land blocks to provide a response should a request for information be received by the agency.

Jim Lekas discussed the management of the land blocks that create a reputation as a "preserved area" through the limitation of motorized vehicles and other stewardship efforts. He speculated that if the coordination included oil and gas consideration for future land use, the public perception for preserved lands may not have become an issue to challenge.

Louie Cononelos asked how costs are recouped when paying attorneys for advice. John Andrews pointed out the attorneys are budgeted through the Office of the Attorney General. They, in turn, bill the agency a reasonable hourly rate for those services.

Director Carter discussed the Director's option to refuse to sign an agreement deemed not to be in the best interest of the beneficiaries. Louie Cononelos asked what would happen if a Director refused to sign an agreement. The Director would provide a written finding of why the agreement was refused. The Board could deem the action insubordinate if the Board previously approved the agreement. The Board felt the statute creating the Director's option was a "check-and-balance" and a good option for the Director to have.

The Board provides consent for a Governor's involvement in any big initiatives related to inholdings. Tim Donaldson asked what generated the creation of the consent options. Director Carter explained it was directly linked to Governor Leavitt and the Grand Staircase Exchange.

The Board approves agency rules and may request an expedited rule, if needed. Director Carter explained that if a procedure affects the public, it must go through the Administrative Rulemaking process.

II. Statutory Role of the Board (Cont'd)

Director Carter reminded the Board they set the salary ranges and create positions. The Director conducts hiring and selects appropriate compensation within that range. The agency consults with DHRM for range recommendations. The Board hires the agency Director. The Director's compensation is reviewed each year at the same time the Board reviews the budget recommendations for the agency.

The Board may create an annual incentive and bonus plan, which has not been considered in five-years. Tom Bachtell expressed an interest in incentives for work well done. The Director discussed the ability of the agency to award up to \$8,000 a year - no more than \$4,000 per incident.

The budget is reviewed by the Board in August for the fiscal year beginning the following July through June of the next year.

Dave Ure asked for regular reports for spending to understand how funds are used. Director Carter reminded the Board they receive a budget report each month. Dave Ure asked for a quarterly report with an understandable breakdown.

Tim Donaldson recalled that Mel Brown intended to remove the legislature from the budget approval process for the agency. Director Carter indicated consideration for budgeting outside the appropriation process seemed possible as a self-funded agency covering costs and earning revenue for the permanent fund without the use of tax dollars.

III. Staffing Needs and Satellite Locations

A discussion explored the value of an office near Vernal. The Board wondered if an individual working in the area to act as a liaison could assist the agency on evolving issues. Cost comparisons were provided based on the Moab Office, with a single resource specialist and clerical support. Jim Lekas asked if any satellite offices were necessary. People find their way to Salt Lake to conduct business from areas around the state without satellite offices. Rodger Mitchell and John Andrews provided a description of events with staff involvement in the St. George, Moab, Price, and Richfield offices that foster a connection with the community on a daily to weekly basis. The feasibility of sending staff to maintain the same level of connection would lead to less efficiency through time spent traveling around the state. The Board expressed a sense of value for an office near Vernal for the same value identified for other satellite offices. LaVonne Garrison was not convinced the staff resource in Uintah County would need to be an oil and gas person. The role of a staff person near Vernal will be further defined to determine what functions would be accomplished by the individual(s). The Board requested consideration for an individual who can stay connected with the community and issues relevant to projects in the area.

The Chairman received a motion to go into closed session to discuss personnel matters.

Cononelos/Ruppe Unanimous

Roll Call:

Steve Ostler – yes

Dave Ure – yes

Jim Lekas – yes

Louie Cononelos – yes

Tom Bachtell – yes

Scott Ruppe – yes

Present in the closed session were Board members Steve Ostler, Dave Ure, Louis Cononelos, Scott Ruppe, Jim Lekas, and Tom Bachtell; also present were Kevin Carter and Nanette Johnson.

III. Staffing and Satellite Locations (Cont'd)

The Board returned to open session.

Bachtell/Lekas Unanimous

Roll Call:

Steve Ostler – yes

Dave Ure – yes

Jim Lekas – yes

Louie Cononelos – yes

Tom Bachtell – yes

Scott Ruppe – yes

IV. Mechanics of Land Exchanges

John Andrews reviewed the Trust Lands Management Act. The agency will engage the Board in different ways as land exchanges progress. First, the land exchange subcommittee is updated on the possible exchange. Second, written materials provide updates. When an exchange moves into the political process, the agency asks the Board for a resolution of support. There is not a formal process for federal exchanges; however, the agency consistently requests formal Board support relevant to an exchange.

Director Carter discussed how the policy for county land bills emerged when the agency was excluded from the Washington County process. The Board set a policy to prevent the exclusion from happening again.

John Andrews provided an historical review of how land became trust lands. Tom Bachtell mentioned changes in 1976 that did not address school lands that should be corrected to be useful for earning revenue for schools.

John Andrews indicated current legislators do not want any increase in federal land in the State of Utah. Dave Ure asked how the Bishop process proceeds with legislative resistance. John Andrews reported there are efforts for a broader understanding underway. Director Carter mentioned the requirement for legislative approval for an exchange over 10,000 acres. If the legislature is not in session, approval is sought through the legislative management committee and a possible request for a special session. If the exchange is less than 10,000 acres, the agency provides written notice to the Natural Resources Committee.

John Andrews outlined how the appraisal process worked in the Inholdings Exchange process. In retrospect, the process resulted in significant deposits in the permanent fund. He continued with the historical outline of the exchange process. He expressed the opinion that the recent appraisal process generated confidence that will benefit future exchanges.

The Board discussed the potential for the current U.S. President to take action in San Juan County. The County's withdrawal from the Bishop process is a reaction to potential wilderness designations. John Andrews pointed out that for the Bishop process to succeed the environmentalists will need to be motivated by the threat of the development of School trust land.

The Board asked for explanation of the county understanding for value in exchanges related to job creation and distribution of royalties. Director Carter reviewed the Land Exchange Distribution Account (LEDA) functions and how funds become available to counties. Tom Bachtell expressed concern for double benefit for counties who may also receive royalties if the land is developed.

Kim Christy discussed the counties interest in the LEDA program using the example of Daggett County being ready to give up Trust lands in the Bishop Exchange with the intent to take advantage of the LEDA program. Lisa Schneider discussed the potential for counties to receive no funds from LEDA when the land does not generate sufficient revenue for distribution, or results in a small distribution.

IV. Mechanics of Land Exchanges (Cont'd)

Jim Lekas asked how the Board could stay informed so they do not learn of a lease in the newspaper before hearing about it from the agency. Director Carter explained how a recent transaction arose in a tight timeframe, with the exchange appraisals nearing the point of becoming outdated. John Andrews indicated he would make a point to provide updates to the Board.

John Andrews asked if the Board would like to provide guidance on the Bishop process as the agency anticipates moving forward with involvement in the exchange. Tom Bachtell indicated Congressman Bishop asked for language to address lands within Reservations. Tom Bachtell recalled a conversation to entice Tribal involvement by extending the Reservation. Jim Lekas suggested a direct approach to be upfront with the regard to the Reservation land.

Director Carter continued saying Grand County presented three proposals for inclusion in the Bishop Exchange process. The County is suggesting a two-mile wide road as a corridor up Sego Canyon. Director Carter suggested the extension might result in Tribal support for the exchange process.

Louie Cononelos wondered how to determine valuation without a drilling campaign to gain core samples. John Andrews provided a PowerPoint presentation designed to address the question of mineral valuation for land value in an exchange as follows.

John Andrews used a PowerPoint presentation to discuss mineral valuation in a land exchange process.

Overall SITLA Goals

- Acquire productive mineral resources that will provide long-term income to the trust beneficiaries
- Upgrade the overall mineral potential of the trust land portfolio
- Use low mineral potential lands with scenic resources to “buy” higher potential mineral lands
- Consider time value of money

Initial Steps – Oil & Gas (from LaVonne Garrison)

- Review Paul Anderson maps for lands that are over 3-4 ranking
- Review federal lease layer to see if selected lands are available. HBP is thrown out; primary term is kept in the initial hopper in case it might expire.
- Contact OG companies to guide me to areas of future expansion or possible new plays
- Take recommendations from counties
- Review Reserve report done in 2008. Becoming dated and may need to be updated in the next few years.
- Look at topography, wilderness, prior drilling, and other layers that could be impediments
- Highlight sections of interest
- This is a dynamic process and must be updated periodically, as new information is available.

Hard Mineral Selections

- Tom Faddies has obtained detailed reviews of prospective mineral areas from UGS
- Target parcels typically smaller footprint than oil and gas parcels
- Identify properties adjacent to existing mines
- Most lands will be claimed; need consent of claimant

Can Appraisal be Avoided?

- Grand Staircase, West Desert exchanges – negotiated exchanges without appraisals
- Hill Creek – mineral sharing with USA to avoid appraisals
- URLEA – oil shale sharing with USA to avoid appraisal of that commodity
- Downside of mineral appraisal – always wrong in volatile markets; very expensive
- Mineral sharing downside – smaller future royalty
- URLEA – full appraisals except for oil shale

Appraisal – First Steps

- Statutory Language: All parcels appraised by one or more independent appraisers mutually agreed by Secretary and State. Appraisals conducted in accordance with FLPMA land exchange regulations.

IV. Mechanics of Land Exchanges (Cont'd)

- Mineral Report – Geologist report(s) designed to disqualify parcels with no or minimal mineral value and rank mineral potential of parcels with mineral resources:
 - BLM prepares mineral report for oil & gas and other minerals; reviewed by DOI Office of Mineral Evaluation (OME)
 - SITLA commissions two separate reports: non-oil & gas report from UGS; Paul Anderson review of rankings for oil and gas.

Mineral Appraisal – Second Steps

- Use Ranking Data from mineral reports to knock out parcels with *de minimis* mineral value.
- Third Party Mineral Evaluation Report (Gustavson):
 - Detailed geologic, engineering and economic evaluation; geologic mapping; nearby well logs and drill stem tests; nearby bonus bids and leasing data. Use USGS Total Petroleum System (TPS) data
 - Price data if DCF analysis to be used
 - Take into account industry valuation standards (SPEE Annual Parameters; SPE Petroleum Resources Management System)
 - Provide mineral report for review by parties and use by appraisers.

Determination Not to Proceed with DCF Analysis of Prospective Production

- “Based on our technical review of the mineral potential of the subject parcels, we found that income from production is speculative....This does not mean that the parcels do not have the potential for mineral production. Rather we are of the opinion that the market would not formulate a purchase price based on ... hypothetical development using a discounted cash flow to project income from mineral production. We did find that the contributory value of minerals would be recognized based on anticipation of income from leasing.”

Lease Bonus Method of Valuation

- Even if future production is too speculative to establish reliable DCF, landowner can expect cash flow from lease rental and bonuses
- Bonus based on geologic rankings
- Capitalize anticipated leasing cash flows

Conclusions/Lessons Learned

- Very few traditional appraisers are competent to perform mineral evaluations. Gustavson did well.
- There is little public data for prospective but non-producing minerals
- Timing was important – delay in legislative and administrative process meant we weren’t appraising while gas prices and corresponding leases bonuses were high 2006-2009.
- Mineral appraisals are still just guesses
- We did build a constructive relationship for future exchanges with DOI Office of Valuation Services and Office of Mineral Evaluation

Louie Cononelos expressed his appreciation for Tom Faddies and his staff in their ability to identify land value without large expenditures.

The Board concluded for the day with a plan to reconvene the following morning.

[The second day began with a Board meeting. Minutes of the Board meeting are provided separately from retreat minutes.]

V. Asset Purchases Using the Capital Account

Director Carter provided a review of the past purchases indicating no policy existed to guide purchases using the capital account. Rather, large proposals were brought to the Board for review and approval before proceeding. The first use of capital funds was for loans to complete range improvements. Over time, the account became specific for capital expenditures. Director Carter hoped to refine the use of the capital fund. Lisa Schneider indicated the expenditure becomes an asset on the ledger. Rodger Mitchell indicated

the investment is recovered from revenue. Director Carter emphasized the need to make sure the expenditures are not viewed as an investment. The State Treasurer currently defines investment as:

... with its fiduciary duties in mind, the Board's balancing of short and long-term interests is always done with a view as to which course of action, out of various alternatives, will likely give the highest total to the beneficiaries. The Board is of the view that long-term interests do not derive from the nature and character of the land itself, but are generated by the ongoing, ever-changing process of determining the best path, or road-map, to the highest total return to the beneficiaries. The particulars of any such path are, of course, influenced by the nature and location of the parcel, but are also influenced by the market, the difficulty of negotiating deals, opportunity costs, and other economic factors.

Director Carter indicated the definition from the State Treasurer is not necessarily the same as the agency definition. However, the agency has no desire to challenge the Treasurer.

Discussions included potential for future requests to use the capital account for land improvement projects. Jim Lekas asked where funding would come from if the agency were to consider a feasibility study. Director Carter indicated a feasibility study is an appropriate use of the capital account if the cost could be recovered when the asset is disposed of in the future. The capital expenditure would then become part of the asset. Lisa Schneider recommended attaching a project code to track the expenditure from the capital account.

Tim Donaldson expressed concern for capital expenditures and tracking to completion. He felt it was more than just time value when compared to placing funds in the endowment. Projections need to increase the value for a cash return to compare with seven to eight percent when placed in the permanent fund.

Rodger Mitchell and Director Carter expressed concern for a time measurement. The usability of the land is more complex and a time measurement may not be the most appropriate measurement of capital expenditure for improvement. Rodger Mitchell outlined the benefit of measuring by not only projected completion but also increased land value through improvements. The capital investment will be recovered and the land value will continue to increase with the market because of the capital expenditure.

Director Carter indicated the challenge is in quantifying improvements with an indirect effect. Tom Bachtell discussed the value of getting into the game and diversifying the opportunities for generation of revenue. Dave Ure expressed support of the consideration for seeking revenue in oil and gas over real estate projects. Rodger Mitchell indicated he agreed with limiting real estate projects at this time. Director Carter suggested considering a change in the allocation of funds to move funds from capital to stewardship to pursue stewardship improvements. Director Carter summarized to say that by reallocating funds, it is possible the agency can reduce the budget request.

Rodger Mitchell requested that there be one system for all reports for the Board, beneficiaries, and the fiscal analyst. A single focused report would likely be more beneficial and a better use of staff time. Director Carter suggested the audit group join the discussion for formatting a single report.

Tom Bachtell brought up the idea of developing water needed for extraction projects. Director Carter identified two aspects. There is the strategic aspect to secure any available water in anticipation of a future need. Second, there is the aspect of being in the business of selling water. Tom Bachtell confirmed both as useful aspects. Director Carter indicated there is a concern for the requirement to put the water to beneficial use to get the right approved. Scott Ruppe indicated a City, County, or Water Conservancy District can sure up the water rights long term. The discussion explored whether the agency qualifies as a water delivery entity. Dave Ure asked if the agency could have a 50-year plan like a city. Kim Christy felt there might be some resemblance in the agency to function like a city for long-term water approval.

Scott Ruppe pointed out the speculation for use is in the process used by the industry. The agency would have to define a credible plan and ask the state engineer to approve the plan.

Dave Ure suggested the agency seek an official document from the State Water Engineer identifying the agency as a public supplier to say the 50-year rule applies to the agency. He suggested doing this now so it is in place when the need arises. Kim Christy indicated the recognition has been provided but not in writing. Director Carter said the agency would have to identify the conditions of the use for the agency to qualify. John Andrews felt there were current projects that can be used to identify water use. Dave Ure expressed support for securing water rights for future benefit through both aspects mentioned by the Director. Tom Bachtell made the point that if the agency owns the water rights, the industry will have greater interest in development on SITLA land.

VI. Conservation Issues

Director Carter introduced the next agenda item to say the agency has not restricted access to land. The agency does not make money on scenic and recreational land. The agency identifies lands that are not valuable for development and pursues transactions to change ownership and assign conservation efforts more appropriate for the land use. Dave Ure asked if Corona Arch was given scenic value. John Andrews provided the value of the section of land, which included the scenic and recreational value. John Andrews also provided an overview of how appraisers were selected.

Kim Christy discussed the lack of public awareness of the agency's commitment to good land stewardship and not just in revenue generation. The conservation transactions are just one way the agency takes land management seriously. An example is the relocation of roads to preserve cultural sites and prevent damage by unmanaged land use. Kim Christy emphasized the need to educate the public of the agency endeavors to take care of the land.

Director Carter provided background on mitigation efforts for conservation and potential listings that would prevent mineral extraction. Through the sale of land for conservation, the agency has been able to gain revenue that would otherwise be prevented from development by a listing.

Margaret Bird expressed interest in seeing more promotion of the land management. Jim Lekas agreed with the suggestion, as the vast majority of people using the land do not know it is managed by SITLA.

Dave Ure expressed interest in having a list of discussion items and suggestions made at the retreat for follow-up and a review of the list in six months. John Andrews suggested making a point at Board meetings to review discussion items. Tom Bachtell suggested the Board meetings include informal round robin discussions to include administration. Director Carter expressed interest in the learning opportunities that will present themselves through informal discussions.

Scott Ruppe asked for more detail on the agency plan in relation to a potential Penstemon listing. Director Carter identified two species, Grahams and White River Penstemon. The environmental community believes the plants are threatened to become extinct. Under the act, plants are only protected on federal land. If there is a listing it will only apply to plants that occur on federal land or if there is a federal nexus.

Even though most of the mineral extraction would not occur on federal lands, industry must cross federal land with utilities and establish access – that is how SITLA is drawn into the issue. John Andrews reported the Fish and Wildlife Services published a federal register notice in which they say the plants qualify for listing as threatened species. Uintah County has been the driving force to come up with an agreement. The County has a good idea of where plants are and which properties are likely to be mined in the next 15 years.

VI. Conservation Issues (Cont'd)

The County agreement provides preservation areas for the plant and areas for mining while reclamation studies are conducted. If the listing occurs, the agreement will be void. The Board will be asked to consider implementing regulation with cooperating landowners that will identify terms of the conservation agreement. LaVonne Garrison mentioned the agreement has considered the Enefit project.

Louie Cononelos suggested consideration for the terminology used in discussing conservation. He recommended the use of stewardship as an acceptable term that accompanies positive impressions. He also suggested intensive efforts to educate teachers. He doubted principals are focused on awareness of where funds come from and how the funds are used. He hoped teachers might better understand use of natural resources alongside a story of stewardship. He emphasized the need for schoolteachers to understanding the value of the development and stewardship.

Scott Ruppe reported he has been involved in the community as a business administrator, Board member, and a community council member. He has come to realize educators only have a vague concept of how the funds are generated.

A discussion followed with suggestions on ways to reach educators and administrators with suggestions from Board members, beneficiaries, and staff. The beneficiaries have programs and materials to relay the message. The challenge is in assuring the information be delivered and understood. The beneficiaries have the responsibility for delivery of the message and the Board offered to provide support as needed if the beneficiaries will make the Board aware of ways to help.

Director Carter requested the Board consider a closed session to discuss sage grouse issues. The Board went into closed session for the purpose of discussing pending litigation.

Ruppe/Cononelos Unanimous

Roll Call:

Dave Ure – yes

Jim Lekas – yes

Louie Cononelos – yes

Tom Bachtell – yes

Scott Ruppe – yes

The staff and beneficiaries present were asked to participate in the closed session.

The Board returned to open session.

Lekas/Ruppe Unanimous

Roll Call:

Dave Ure – yes

Jim Lekas – yes

Louie Cononelos – yes

Tom Bachtell – yes

Scott Ruppe – yes

VII. External Relations Strategy

Upon return to open session, the Board heard from Kim Christy and Deena Loyola on efforts for external relations. Kim Christy discussed stakeholders beyond the beneficiaries. He discussed the value for relationships in the industry and the community to be able to overcome challenges that arise.

Kim Christy reviewed the agency website and the branding that is occurring through printed and electronic publications. Deena Loyola presented changes and provided a description of the objectives. Kim Christy asked the Board if they felt the external relation efforts are moving in a direction the Board supports. The Board expressed appreciation for the news updates generated and distributed by Deena Loyola in a single email. Deena Loyola explained how the information is going to the School Trust Program who forwards the information to Community Councils.

LaVonne Garrison mentioned the increasing value of the website for public access to information. The Oil & Gas group is working toward paperless operation, which will create greater accessibility and reliance on information electronically.

Retreat Summary

Director Carter read a list of follow-up suggestions made throughout the retreat. Those in attendance contributed to the list and provided clarification.

Role of the Board

- Take time after Board meetings to hold a roundtable discussion. Kevin suggested adding the reminder that no decision can be made at an informal roundtable discussions.
- Board members receive adjudication notice immediately upon receipt of a petition. The Board requested a cover letter that would identify the role of the Board in the petition.
- Update subcommittee assignments to reflect current Board members' expertise and consider adding a subcommittee to review adjudication rules.
- Confirm that adjudication is covered during New Board Member Orientation.
- Hold a retreat every two to three years.
- Conduct six-month follow-up review of these retreat items.
- Develop a relationship with the Office of the Attorney General for legislation, hiring outside counsel, and budgeting issues. Engage the Attorney Generals' Office in consideration for "Taking Agency Budgeting Offline."
- Make "Taking Budgeting Offline" a topic for roundtable discussion at May Board meeting.
- Distribute budget reports to the Board - - perhaps on a quarterly basis - - to show discretionary spending. Limit reporting for outside legal counsel expenditures.
- Engage the Board's audit group, the fiscal analyst, and the beneficiaries in developing a single set of financial reports from Development
- Research change in state share of LEDA distribution to 6 ¼ % instead of 8 1/3 %.
- Initiate quarterly subcommittee meetings.

Mechanics of Land Exchanges

- Keep the Board informed for land exchanges and update new Board members as soon as possible.
- Explore offering the federal government royalties for the first ten years following an exchange.

Asset Purchases Using the Capital Account

- Reallocate funds from the capital budget to the stewardship budget for the opportunity to use funds to avoid "pay go" implications for valuable stewardship projects. Use project codes for tracking.
- Work on plan to acquire recognition as a water distribution entity in writing from the State Engineer.

Staffing Needs in Satellite Locations

- Consider adding liaison staff in Uintah County to be proactive on evolving issues.
- Examination of current salary ranges.

Conservation Issues

- Pursue general stewardship actions for conservation to continue responsible land management.

External Relations Strategy

- Identify a different name for the Book Cliffs area.
- Help beneficiaries educate teachers and councils on both stewardship and revenue generation.
- Educate public on stewardship programs by SITLA while accomplishing responsible revenue generation for the Trust.